

**NATIONAL ASSOCIATION OF  
CATHOLIC CHAPLAINS, LTD.**  
Milwaukee, Wisconsin

**Reviewed Financial Statements**

Year Ended December 31, 2022 and 2021

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## Independent Accountants' Review Report

Board of Directors  
National Association of Catholic Chaplains, LTD  
Milwaukee, Wisconsin

We have reviewed the accompanying financial statements of National Association of Catholic Chaplains, LTD ("Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. GAAP.

February 10, 2023  
Milwaukee, Wisconsin

**National Association of Catholic Chaplain, LTD.**  
Milwaukee, Wisconsin

**Statements of Financial Position**  
December 31, 2022 and 2021

<b>ASSETS</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Current Assets:</b>		
Cash and equivalents	\$ 161,961	\$ 318,619
Investments	1,861,302	2,162,206
Pledges receivable	10,000	20,500
Accounts receivable	5,900	3,275
Prepaid expenses	28,030	21,855
<b>Total current assets</b>	<b>2,067,193</b>	<b>2,526,455</b>
<b>Property and Equipment, net</b>	1,816	2,768
<b>Noncurrent Assets:</b>		
Pledges receivable	---	20,000
<b>Other Assets:</b>		
Operating lease right of use asset	32,977	---
<b>Total assets</b>	<b>\$ 2,101,986</b>	<b>\$ 2,549,223</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 14,803	\$ ---
Accrued payroll and benefits	24,320	20,796
Deferred revenues	172,090	193,896
Short-term operating lease liability	30,718	---
<b>Total current liabilities</b>	<b>241,931</b>	<b>214,692</b>
<b>Long-Term Liabilities:</b>		
Long-term operating lease liability	2,575	---
<b>Total liabilities</b>	<b>244,506</b>	<b>214,692</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	1,730,937	2,132,232
Board-designated	29,959	58,097
Total without donor restrictions	1,760,896	2,190,329
With donor restrictions	96,584	144,202
<b>Total net assets</b>	<b>1,857,480</b>	<b>2,334,531</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,101,986</b>	<b>\$ 2,549,223</b>

See Accompanying Notes and Independent Accountants' Review Report.

**National Association of Catholic Chaplains, LTD.**  
Milwaukee, Wisconsin

**Statements of Activities**  
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>						
Membership dues	\$ 447,099	\$ ---	\$ 447,099	\$ 475,189	\$ ---	\$ 475,189
Certification fees	57,495	---	57,495	55,430	---	55,430
Contributions and grants	44,021	33,453	77,474	97,706	87,000	184,706
National conference	65,216	---	65,216	---	---	---
Educational events	8,976	---	8,976	13,385	---	13,385
Webinars/Audio conferences	18,780	---	18,780	50,190	---	50,190
Forgiveness of PPP Loan	---	---	---	106,648	---	106,648
Investment income (loss), net	(300,797)	---	(300,797)	191,519	---	191,519
Miscellaneous income	34,583	4,525	39,108	56,218	---	56,218
Net assets released from restrictions:						
Restricted funds utilized	85,596	(85,596)	---	100,960	(100,960)	---
<b>Total revenue, support, and gains</b>	<b>460,969</b>	<b>(47,618)</b>	<b>413,351</b>	<b>1,147,245</b>	<b>(13,960)</b>	<b>1,133,285</b>
<b>Expenses:</b>						
<b>Program Services:</b>						
Advocating/Promoting/Chaplaincy	54,884	---	54,884	119,345	---	119,345
Certification	109,134	---	109,134	113,673	---	113,673
CPMC	85,596	---	85,596	100,960	---	100,960
Education	160,755	---	160,755	80,216	---	80,216
Member Support	68,895	---	68,895	77,311	---	77,311
Member networking/communications	93,575	---	93,575	74,331	---	74,331
<b>Total program services</b>	<b>572,839</b>	<b>---</b>	<b>572,839</b>	<b>565,836</b>	<b>---</b>	<b>565,836</b>
<b>Supporting Services:</b>						
Administration/Governance	302,040	---	302,040	211,889	---	211,889
Fundraising	15,523	---	15,523	26,880	---	26,880
<b>Total supporting services</b>	<b>317,563</b>	<b>---</b>	<b>317,563</b>	<b>238,769</b>	<b>---</b>	<b>238,769</b>
<b>Total expenses</b>	<b>890,402</b>	<b>---</b>	<b>890,402</b>	<b>804,605</b>	<b>---</b>	<b>804,605</b>
<b>Change in net assets</b>	<b>(429,433)</b>	<b>(47,618)</b>	<b>(477,051)</b>	<b>342,640</b>	<b>(13,960)</b>	<b>328,680</b>
<b>Net assets - beginning of year</b>	<b>2,190,329</b>	<b>144,202</b>	<b>2,334,531</b>	<b>1,847,689</b>	<b>158,162</b>	<b>2,005,851</b>
<b>Net assets - end of year</b>	<b>\$ 1,760,896</b>	<b>\$ 96,584</b>	<b>\$ 1,857,480</b>	<b>\$ 2,190,329</b>	<b>\$ 144,202</b>	<b>\$ 2,334,531</b>

See Accompanying Notes and Independent Accountants' Review Report.

**National Association of Catholic Chaplains, LTD.**  
Milwaukee, Wisconsin

**Statement of Functional Expenses**  
Year Ended December 31, 2022

	Program Services						Supporting Services			Total	
	Advocating/ Promoting Chaplaincy	Certification	CPMC	Education	Member Support	Member Networking/ Communications	Total Program Services	Administration/ Governance	Fundraising		Total Support Services
Salaries and benefits	\$ 22,398	\$ 93,364	\$ ---	\$ 29,000	\$ 54,877	\$ 39,613	\$ 239,252	\$ 212,976	\$ 11,926	\$ 224,902	\$ 464,154
Contracted services	---	---	57,973	---	---	50,947	108,920	---	---	---	108,920
Miscellaneous	---	---	3,493	---	---	---	3,493	2,646	---	2,646	6,139
Communications and postage	1,557	1,831	3,442	1,831	1,831	1,465	11,957	641	---	641	12,598
Occupancy	---	4,543	---	7,571	7,571	1,514	21,199	9,402	---	9,402	30,601
Maintenance and insurance	---	---	5,539	---	---	---	5,539	27,799	---	27,799	33,338
Professional fees	---	---	5,678	---	---	---	5,678	8,475	---	8,475	14,153
Printing	67	269	---	269	4,495	---	5,100	134	269	403	5,503
Subscriptions, dues, fees, and awards	5,125	---	---	---	---	---	5,125	14,462	---	14,462	19,587
Office supplies	4	60	135	101	121	36	457	81	---	81	538
Depreciation	---	---	---	---	---	---	---	953	---	953	953
Board of directors	---	---	---	---	---	---	---	23,701	---	23,701	23,701
Committees and panels	---	---	---	---	---	---	---	770	---	770	770
Marketing, recruitment and development	25,733	---	---	---	---	---	25,733	---	---	---	25,733
Catholic prison ministry coalition	---	---	9,336	---	---	---	9,336	---	---	---	9,336
Certification commission	---	8,881	---	---	---	---	8,881	---	---	---	8,881
Certification ITEs and site coordinators	---	35	---	---	---	---	35	---	---	---	35
Certification interviews	---	151	---	---	---	---	151	---	---	---	151
Annual campaign	---	---	---	---	---	---	---	---	3,328	3,328	3,328
National conference	---	---	---	114,282	---	---	114,282	---	---	---	114,282
Educational events	---	---	---	3,305	---	---	3,305	---	---	---	3,305
Webinar/Audio conferences	---	---	---	4,396	---	---	4,396	---	---	---	4,396
<b>Total expenses</b>	<b>\$ 54,884</b>	<b>\$ 109,134</b>	<b>\$ 85,596</b>	<b>\$ 160,755</b>	<b>\$ 68,895</b>	<b>\$ 93,575</b>	<b>\$ 572,839</b>	<b>\$ 302,040</b>	<b>\$ 15,523</b>	<b>\$ 317,563</b>	<b>\$ 890,402</b>

See Accompanying Notes and Independent Accountants' Review Report.

**National Association of Catholic Chaplains, LTD.**  
Milwaukee, Wisconsin

**Statement of Functional Expenses**  
Year Ended December 31, 2021

	Program Services							Supporting Services			Total
	Advocating/ Promoting Chaplaincy	Certification	CPMC	Education	Member Support	Member Networking/ Communications	Total Program Services	Administration/ Governance	Fundraising	Total Support Services	
Salaries and benefits	\$ 85,063	\$ 103,852	\$ ---	\$ 45,727	\$ 63,877	\$ 54,673	\$ 353,192	\$ 154,727	\$ 22,536	\$ 177,263	\$ 530,455
Contracted services	---	---	77,844	---	---	15,927	93,771	---	---	---	93,771
Miscellaneous	---	---	---	---	---	---	---	1,875	---	1,875	1,875
Communications and postage	1,149	1,352	---	1,352	3,370	1,353	8,576	558	---	558	9,134
Occupancy	---	4,603	---	7,671	7,671	1,534	21,479	9,206	---	9,206	30,685
Maintenance and insurance	---	---	166	---	---	---	166	22,710	---	22,710	22,876
Professional fees	---	---	---	---	---	---	---	6,780	---	6,780	6,780
Printing	137	548	---	548	1,334	527	3,094	274	548	822	3,916
Subscriptions, dues, fees, and awards	450	---	---	4,000	---	---	4,450	10,332	---	10,332	14,782
Office supplies	35	529	---	882	1,059	317	2,822	705	---	705	3,527
Depreciation	---	---	---	---	---	---	---	953	---	953	953
Board of directors	---	---	---	---	---	---	---	2,912	---	2,912	2,912
Committees and panels	---	---	---	---	---	---	---	857	---	857	857
Special projects	---	---	---	4,884	---	---	4,884	---	---	---	4,884
Marketing, recruitment and development	32,511	---	---	---	---	---	32,511	---	---	---	32,511
Catholic prison ministry coalition	---	---	22,950	---	---	---	22,950	---	---	---	22,950
PHAC Interviews	---	24	---	---	---	---	24	---	---	---	24
Certification commission	---	2,631	---	---	---	---	2,631	---	---	---	2,631
Certification ITEs and site coordinators	---	55	---	---	---	---	55	---	---	---	55
Certification interviews	---	24	---	---	---	---	24	---	---	---	24
Certification appeals panel	---	31	---	---	---	---	31	---	---	---	31
Certified associate chaplain interviews	---	24	---	---	---	---	24	---	---	---	24
Annual campaign	---	---	---	---	---	---	---	---	3,796	3,796	3,796
National conference	---	---	---	805	---	---	805	---	---	---	805
Educational events	---	---	---	5,237	---	---	5,237	---	---	---	5,237
Webinar/Audio conferences	---	---	---	9,110	---	---	9,110	---	---	---	9,110
<b>Total expenses</b>	<b>\$ 119,345</b>	<b>\$ 113,673</b>	<b>\$ 100,960</b>	<b>\$ 80,216</b>	<b>\$ 77,311</b>	<b>\$ 74,331</b>	<b>\$ 565,836</b>	<b>\$ 211,889</b>	<b>\$ 26,880</b>	<b>\$ 238,769</b>	<b>\$ 804,605</b>

See Accompanying Notes and Independent Accountants' Review Report.

**National Association of Catholic Chaplains, LTD.**  
Milwaukee, Wisconsin

**Statement of Cash Flows**  
Years Ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (477,051)	\$ 328,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	953	953
Realized and unrealized losses (gains) on investments	337,071	(179,879)
Forgiveness of paycheck protection program loan	---	(106,648)
Changes in assets and liabilities:		
Pledges receivable	30,500	(500)
Accounts receivable	(2,625)	(1,189)
Prepaid expenses	(6,175)	(8,319)
Accounts payable	14,803	(30)
Accrued payroll and benefits	3,524	(13,335)
Deferred revenues	(21,806)	5,260
Operating lease assets and liabilities	316	---
<b>Net cash (used) provided by operating activities</b>	<b>(120,490)</b>	<b>24,993</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(36,168)	(11,491)
<b>Net (decrease) increase in cash and equivalents</b>	(156,658)	13,502
<b>Cash and equivalents - beginning of year</b>	318,619	305,117
<b>Cash and equivalents - end of year</b>	\$ 161,961	\$ 318,619
<b>Supplementary disclosures:</b>		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 30,244	\$ 30,685
<b>Noncash transactions:</b>		
Forgiveness of paycheck protection program loan	\$ ---	\$ 106,648
Operating right-of-use assets obtained in exchange for lease obligations	63,170	---

See Accompanying Notes and Independent Accountants' Review Report.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2022 and 2021

**1. Summary of Significant Accounting Policies**

**A. Nature of Operations**

**Nature of Business**

The Organization is a nonprofit organization organized under the laws of the state of Wisconsin for the purpose of promoting continuing spiritual and educational formation of its membership and Christ-like advocacy in ethical, legal, political and social areas of service in health care ministries. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for net income from unrelated business activities. The Organization has determined that it has no income from unrelated business activities, and therefore, has no uncertain tax positions that are material to the financial statements. The following is a summary of the Organization's program services.

**Advocating/Promoting Chaplaincy:**

- Collaborative projects with our strategic partners, including both revising our common competencies, common code of ethics, and review revision.
- Research Projects

**Certification:** All support related to the certification of our members, including receiving and processing applications, prepping and supporting interviews, and organizing and educating all those involved in the education process.

**CPMC:** Supporting the development of the formation and certification procedures for Catholic Prison Ministries Coalition (CPMC) and supporting the networking among those involved in the prison ministries including townhall meetings and webinars. On May 1, 2020, the Organization entered into a fiscal sponsorship agreement with CPMC. This agreement has been terminated as of December 31, 2022. See footnote 12 for additional information.

**Education:** The planning, implementation, and evaluation of all education programming including national conference, webinars, and local events.

**Member Support:** Receiving, processing, and maintaining membership and potential and current member inquiries, and managing member database.

**Member Networking/Communications:**

- All member communication vehicles including E-newsletter, E-publications of articles, and networking calls.
- Web communication and development.

**B. Basis of Statement Preparation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization's changes therein are classified and reported as follows:



**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Statement Preparation (Continued)**

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for donor development and conference funds.

**Net Assets With Donor Restrictions** – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used for the acquisition of long-lived assets are recognized as revenue with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. No net assets are held in perpetuity as of December 31, 2022 and 2021.

**C. Revenue Recognition**

Revenue from performance obligations satisfied at a point in time consists of the following:

**Certification Fees** – Certification fees are recognized as revenue as the certification process takes place. The portion related to future periods is recorded as deferred revenue.

**National Conference, Educational Events, and Webinars/Audio Conferences** – National conference, educational events, and webinars/audio conferences revenues are recognized as the events take place. Amounts collected for an event to be held in a subsequent year are recorded as deferred revenue.

Revenue from non-exchange transactions consist of the following:

**Contributions and Grants** – Contributions and grants are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

**Membership Dues** – Membership dues are on anniversary-date basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Unearned membership revenue is reflected as deferred revenue on the statements of financial position.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**D. Cash and Equivalents**

The Organization defines cash and cash equivalents as highly liquid, short-term investments with an original maturity of three months or less. Financial instruments that potentially subject the Organization to credit risk are cash balances that periodically exceed the Federal insurance limit. Cash held for investment purposes is reported as an investment.

**E. Pledges Receivable**

Pledges are recorded as receivables in the year the pledge is received. Current pledges receivable are expected to be collected during the next year and are recorded at net realizable value. Noncurrent pledges receivable are expected to be collected greater than one year from December 31, 2022 and are recorded at net realizable value. An allowance for uncollectible promises to give is determined based on experience. There was \$0 allowance for uncollectible promises to give for the years ended December 31, 2022 and 2021. The receivable is not discounted because net present value approximates fair value.

**F. Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Past due receivables are written off after management has used reasonable collection efforts based on individual credit evaluations and specific customer circumstances. The Organization does not provide an allowance for uncollectible accounts since none is considered necessary based on management's review of outstanding receivables, historical collection information, and existing economic conditions.

**G. Investments**

Investments consisting of cash equivalents, fixed income securities and equity securities are reported at their fair values in the statements of financial position. Investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less direct investment expenses. Investment income restricted by a donor is reported as an increase in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income is recognized.

The Organization has adopted the generally accepted accounting principle that defines fair value, establishes a framework for measuring fair value, and provides for specific disclosures about fair value instruments. The following fair value hierarchy is used to prioritize inputs.

**Level 1** - Quoted prices in active markets, e.g. NYSE, NASDAQ, etc., for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

**Level 2** - Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**G. Investments (Continued)**

**Level 3** - Unobservable inputs which contain assumptions by the party valuing those assets. For Level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Fixed Income Securities and Equity Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

**H. Property and Equipment**

Property and equipment are recorded at cost if purchased or fair value at the date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 10 years. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the statements of activities. Depreciation expense was \$953 for both the years ended December 31, 2022 and 2021.

**I. Conference Expenses**

Expenditures for conference goods and services are recognized as expenses during the year in which the conference is held. Amounts paid for a conference to be held in a subsequent year are recorded as prepaid expenses.

**J. Compensated Absences and Vacations**

The financial statements include a liability for compensated absences and vacations for all employees who held vested rights of such compensation.

**K. Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.**  
Milwaukee, Wisconsin

**Notes to Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**L. Allocation of Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated across the programs and supporting services benefited. Direct expenses specifically identifiable with a function are charged to that function. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**M. Subsequent Events**

Management of the Organization has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, February 10, 2023. There were no subsequent events that require disclosure in the notes to the financial statements.

**N. Recently Adopted Accounting Guidance – Adoption of ASC 842**

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

As a result of the adoption of the new lease accounting guidance, the Organization on January 1, 2022 recognized an operating lease liability of \$63,170, which represents the present value of the remaining operating lease payments of \$63,667, discounted using the risk-free rate of 0.78%, and a right-of-use asset of \$63,170 as of January 1, 2022. Results for years beginning prior to January 1, 2022 continue to be reported in accordance with the Corporation's historical accounting treatment. The adoption of FASB ASC 842 had a material impact on the Corporation's balance sheets but did not have a material impact on the Corporation's results of operations, cash flows or debt covenants. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**NATIONAL ASSOCIATION OF CATHOLIC CHAPLAINS, LTD.**

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**Notes to Financial Statements**

December 31, 2022 and 2021

(Continued)

**1. Summary of Significant Accounting Policies (Continued)**

**O. Leases**

The Organization leases office space and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and current operating lease liabilities on the Organization's balance sheets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a short-term basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to its leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
<b>Financial assets:</b>		
Cash and equivalents	\$ 161,961	\$ 318,618
Pledges receivable	10,000	20,500
Accounts receivable	5,900	3,275
Investments	<u>1,861,302</u>	<u>2,162,206</u>
<b>Total financial assets</b>	<u>2,039,163</u>	<u>2,504,599</u>
<b>Less amounts not available to be used within one year for general expenditures:</b>		
Net assets with donor restrictions	<u>(96,584)</u>	<u>(144,202)</u>
<b>Financial assets available to meet general expenditures within one year</b>	<u>\$ 1,942,579</u>	<u>\$ 2,360,397</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

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**3. Retirement Plan**

The Organization has a retirement plan qualified under Section 403(b) of the IRC. For 2022 and 2021, the Organization contributed 5.5% of gross salaries to the plan for qualified employees; or \$12,150 and \$21,818, respectively. Employees may make contributions to the plan up to the maximum amount allowed by the IRC if they wish. The plan covers all employees; however, an employee must be at least 21 years of age and complete at least one year of service (1,000 hours) to receive employer base contributions.

**4. Contract Assets and Contract Liabilities**

The Organization's contract assets and liabilities consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable:			
Accounts receivable – miscellaneous income	\$ 5,900	\$ 3,275	\$ 2,086
Deferred revenue:			
Deferred revenue – certification fees	\$ 13,830	\$ 18,205	\$ 17,492
Deferred revenue – membership dues	158,260	175,691	171,144
	<u>\$ 172,090</u>	<u>\$ 193,896</u>	<u>\$ 188,636</u>

**5. Net Assets**

The following is a summary of the board-designated net assets as of as of December 31:

	<u>2022</u>	<u>2021</u>
Conference Fund	\$ ---	\$ 23,708
Donor Development Fund	29,959	34,389
Total	<u>\$ 29,959</u>	<u>\$ 58,097</u>

The following is a summary of the net assets with donor restrictions as of December 31:

	<u>2022</u>	<u>2021</u>
Continuing Education Fund	\$ 20,083	\$ 15,558
Catholic Prison Ministry Coalition	76,501	128,644
Total	<u>\$ 96,584</u>	<u>\$ 158,162</u>

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**Notes to Financial Statements**  
December 31, 2022 and 2021  
(Continued)

**6. Investments**

The fair values of the Organization's professionally-managed investments, were comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 114,218	\$ 173,085
Fixed income mutual funds	446,286	448,121
Equity mutual funds	1,300,798	1,541,000
Total	1,861,302	2,162,206
Unrealized loss (gain)	157,192	(967,079)
Cost basis at December 31	\$ 2,018,494	\$ 1,195,127

Investment income, net consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 36,274	\$ 11,640
Realized and unrealized gains (loss)	(337,071)	179,879
Total	\$ (300,797)	\$ 191,519

The Organization utilizes various methods to measure the fair value of its investments on a recurring basis. Financial accounting standards establish a hierarchy that prioritizes inputs to valuation methods. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on unobservable inputs and requires management to use their own assumptions on valuation. All of the Organization's investments are measured using Level 1 inputs.

**7. Operating Leases**

In October 2010, the Organization entered into a 36-month lease agreement for its office space commencing on February 1, 2011. The lease has been extended numerous times since then, and is currently extended through January 31, 2024. Lease expense is included on the statement of functional expenses line item "Occupancy". Occupancy attributable to this lease was \$30,601 in 2022 and \$30,685 in 2021, respectively.

The components of lease expense ("Occupancy expense") were as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 30,601	\$ 30,685

The weighted average remaining lease term as of December 31, 2022 was 1.08 year. The weighted average discount rate as of December 31, 2022 was 0.78%.

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**Notes to Financial Statements**  
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(Continued)

**7. Operating Leases (Continued)**

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

	<b><u>Years Ending</u></b> <b><u>December 31.</u></b>	
2023		\$ 30,848
2024		2,575
Less imputed interest		<u>(130)</u>
<b>Present value of lease liability</b>		<b><u>\$ 33,293</u></b>

**8. Contingencies**

The Organization allows employees to accumulate up to 60 days of sick time. The employee loses any right to this sick pay upon termination. At December 31, 2022 and 2021, this contingent liability amounted \$23,275 and \$35,549 respectively.

The Organization's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in values of investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

**9. Concentrations**

The Organization received 45% of its contributions from two donors or grantors for the years ended December 31, 2021. The Organization had no individual donors exceeding 10% of its total contributions for the year ended December 31, 2022.

**10. Fiscal Sponsorship**

The Organization acts as a fiscal sponsor to Catholic Prison Ministries Coalition ("CPMC"), which engage in activities that are consistent with the Organization's mission. The Organization accepts tax-deductible donations on behalf of CPMC and administers the expenditures of those funds for designated tax-exempt charitable purposes. The Organization will also maintain all financial records relating to CPMC according to U.S. GAAP and process bi-weekly payroll and employee benefits for CPMC employees. The Organization offers fiscal sponsorship support on a case by case basis, in situations in which there is no appropriate community-based 501(c)(3) organization that could otherwise act as a fiscal sponsor or if 501(c)(3) designation cannot be obtained.

The Organization's fiscal sponsorship of CPMC programs are generally on an on-going basis. The Organization accepts funds on behalf of CPMC for specific programs which range from supporting the development certification procedures and networking among those involved in prison ministries. In all cases, the Organization has variance power over the fiscal sponsorship contributions it receives. As of December 31, 2022 and 2021, temporarily restricted net assets held for fiscal sponsorship of CPMC programs are \$76,501 and \$128,644, respectively.



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**10. Fiscal Sponsorship (Continued)**

The following is a summary of fiscal sponsor activity as of and for the years ended December 31, 2022 and 2021:

	2022	2021
Fiscal sponsorship included as part of net assets with donor restrictions, beginning of year	\$ 128,644	\$ 142,604
Add: temporarily restricted revenue for fiscal sponsorships	33,453	87,000
Less: net assets released from restrictions for Fiscal sponsorships	<u>(85,596)</u>	<u>(100,960)</u>
Net increase (decrease) in fiscal sponsorship funds	<u>(52,143)</u>	<u>(13,960)</u>
Fiscal sponsorships included as part of net assets with donor restrictions, end of year	<u>\$ 76,501</u>	<u>\$ 128,644</u>

As of December 31, 2022, the fiscal sponsorship agreement with CPMC was terminated. The Organization still holds some of CPMC's funds subsequent to year end and will disburse those funds back to CPMC during the year end December 31, 2023.